


2012 REGULAR SESSION
ACTUARIAL NOTE SB 22

Senate Bill 22 SLS 12RS-193 Engrossed Author: Senator Elbert L. Guillory Date: May 2, 2012 LLA Note SB 22.02 Organizations Affected: Sheriffs Pension and Relief Fund (SPRF) EG DECREASE APV	The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor.  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services
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Bill Header: SHERIFFS: Provides for membership of part-time employees. (6/30/12)

Cost Summary:

Actuarial Cost/(Savings) to Retirement Systems and OGB	Decrease
Total Five Year Fiscal Cost	
Expenditures	Decrease
Revenues	Decrease

Estimated Actuarial Impact:

The chart below shows the estimated increase/(decrease) in the actuarial value of benefits, if any, attributable to the proposed legislation. Note: it includes the present value cost of fiscal costs associated with benefit changes. It does **not** include present value costs associated with administration or other fiscal concerns.

Actuarial Cost (Savings) to:	<u>Increase (Decrease) in</u> <u>The Actuarial Present Value</u>
All Louisiana Public Retirement Systems	Decrease
Other Post Retirement Benefits	Decrease
Total	Decrease

Estimated Fiscal Impact:

The chart below shows the estimated fiscal impact of the proposed legislation. This represents the effect on cash flows for government entities including the retirement systems and the Office of Group Benefits.

EXPENDITURES	2012-13	2013-14	2014-15	2015-16	2016-2017	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Annual Total	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

REVENUES	2012-13	2013-14	2014-15	2015-16	2016-2017	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

Bill Information:

Current Law

Current law excludes employees receiving an income, including state supplemental pay that is less than \$800 a month from participating in the Sheriffs’ Pension and Relief Fund (SPRF).

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Proposed Law

SB 22 will change the minimum income necessary to participate in SPRF to \$1,000 a month effective January 1, 2013. SB 22 also excludes such service, associated with income below the minimum, from ever being available for purchase as prior service.

Implications of the Proposed Changes

SB 22 increases the minimum amount of income necessary to participate in SPRF and be eligible to earn service credits.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

Actuarial costs will be reduced as a result of SB 22. Periods of employment in the future that otherwise would have been eligible to be counted as service credit will not be counted. Actuarial savings cannot be precisely determined but are likely to be small.

Other Post Retirement Benefits

Actuarial costs associated with SB 22 for post-employment benefits other than pension will decrease because members will not be eligible for service credits under SB 22 that they would have otherwise been eligible for. With less service, members will tend to delay retirement and the receipt of these types of benefits.

Analysis of Fiscal Costs

SB 22 will have the following effect on fiscal costs.

Expenditures:

1. Expenditures from MERS (Agy Self-Directed) are expected to decrease because members retiring during the 5 year measurement period may have less service credits.
2. Expenditures from Local Funds are expected to decrease because employers will not be paying the employer contribution rate on incomes of employees earning less than \$1,000 a month.

Revenues:

1. Revenues to MERS (Agy Self-Directed) are expected to decrease because employees earning less than \$1,000 a month will not be contributing to MERS and neither will their employers.

Actuarial Credentials:

Paul T. Richmond is the Manager of Actuarial Services for the Louisiana Legislative Auditor. He is an Enrolled Actuary, a member of the American Academy of Actuaries, a member of the Society of Actuaries and has met the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinion contained herein.

Dual Referral:

<u>Senate</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 \geq \$100,000 Annual Fiscal Cost	<input type="checkbox"/> 6.8(F) \geq \$500,000 Annual Fiscal Cost
<input type="checkbox"/> 13.5.2 \geq \$500,000 Annual Tax or Fee Change	<input type="checkbox"/> 6.8(G) \geq \$500,000 Annual Tax or Fee Change